Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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APPROVED BY: E: JEINHORN
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FM SECSTATE WASHDC
TO AMEMBASSY PARIS PRIORITY

C O N F I D E N T I A L STATE 123308

USOECD FOR UNDER SECRETARY COOPER FROM EINHORN

FOLLOWING REPEAT KINGSTON 2693 ACTION SECSTATE MAY 26 QOUU

QTE C O N F I D E N T I A L KINGSTON 2693

ARA FOR LUERS, AID/LA FOR DONOR LION

E.O. 11652: GDS
TAGS: EFIN, JM
SUBJECT: IMF/GOJ TALKS PROCEEDING SLOWLY BUT SMOOTHLY.

REF: KINGSTON 2589

1. EMBOFF MET WITH IMF TEAM CHIEF CARLOS SANTOS BRIEFLY MAY 26 IMMEDIATELY PRIOR TO SANTOS' DEPARTURE FROM JAMAICA. SANTOS (A MASTER OF IMPRECISION), REFUSED TO SAY HE WAS OPTIMISTIC OVER STATE OF NEGOTIATIONS BUT HE DID ADMIT JAMAICAN OFFICIALS ARE ADDRESSING THE RIGHT PROBLEMS. HE GAVE GENERAL IMPRESSION THAT TALKS ARE PROCEEDING SMOOTHLY IF AT A TEDIOUS PACE. ON THE BASIC ISSUES:

A. THE EXCHANGE RATE: SANTOS SAID THE GOJ IS MOVING MORE
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RAPIDLY THAN HE WOULD HAVE THOUGHT LIKELY IN BRINGING ITS EXCHANGE RATE INTO A REALISTIC POSITION. HE COMPLAINED THAT THE GOJ STILL HAS TOO RESTRICTIVE AN EXCHANGE SYSTEM BUT SAID THE GOJ IS WILLING TO MAKE SOME CONCESSIONS. HE MADE IT CLEAR THIS IS NOT A PROBLEM AREA.

B. THE BUDGET: THIS REMAINS THE GREATEST STICKING POINT.

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SANTOS REITERATED THE IMF POSITION THAT THE BUDGET SHOULD BE BALANCED AND NOT REQUIRE ANY BOJ RESIDUAL FINANCING. HE SAID THE GOJ HAS CONSIDERED (AND BY IMPLICATION, PUT FORWARD) A NUMBER OF PROPOSALS WHICH WOULD REDUCE EXPENDITURES, DECREASE SOME SUBSIDIES SUCH AS THE DOMESTIC SUGAR SUBSIDY, AND INCREASE REVENUES. SANTOS SAID, HOWEVER, THAT MUCH MORE REMAINS TO BE DONE AND THAT THE DIFFERENCE BETWEEN THE TWO SIDES IS STILL ABOUT TWO PERCENT OF THE GDP. SANTOS SAID THE BUDGET FIGURES WILL CONTINUE TO BE WORKED ON IN WASHINGTON. HE SAID THE IMF TEAM WILL CONTINUE NEGOTIATIONS IN JAMAICA IN TWO OR THREE WEEKS.

C. INCOMES POLICY: SANTOS SEEMED TO FEEL THAT AN INCOMES POLICY WOULD NOT POSE A SERIOUS OBSTACLE, IF THE GOJ IS ABLE TO IMPLEMENT IT. HE SAID THE GOJ WILL BE SPENDING THE NEXT TWO WEEKS (AND MAYBE LONGER) DEVELOPING A FIRM POLICY AND SECURING POLITICAL APPROVAL FOR IT. AT THAT POINT, THE IMF WILL BE IN A POSITION TO REVIEW IT.

2. ASKED ABOUT TIMING, SANTOS SAID THE IMF'S FIRST TRANCHE COULD NOT BE APPROVED UNTIL AUGUST AT THE EARLIEST, ASSUMING EVERYTHING GOES WELL. THE SECOND TRANCHE PAYMENTS (THREE EQUAL INSTALLMENTS) COULD NOT BE MADE UNTIL NOVEMBER, FEBRUARY AND MARCH, RESPECTIVELY.

3. SANTOS SAID THE IMF TEAM IS DEVELOPING A DETAILED CASH FLOW ANALYSIS WHICH THE JAMAICA IMF REP. WILL BE REPPARED TO SHARE WITH THE EMBASSY NEXT WEEK. HE SAID THIS WILL SHOW A CRITICAL THIRD QUARTER SHORTFALL (HE WOULD NOT GIVE CONFIDENTIAL

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AN AMOUNT) DURING WHICH TIME HE STRESSED THE URGENCY OF JAMAICA OBTAINING SUBSTANTIAL US ASSISTANCE, ALL POSSIBLE HELP FROM OTHER BILATERAL DONORS, AND THE SYMPATHETIC CONSIDERATION OF THE COMMERCIAL BANKS. SANTOS AID IT WOULD BE A TRAGEDY IF THE IMF AND THE GOJ WERE ABLE TO WORK OUT A REALISTIC PROGRAM AND THEN HAVE THE WHOLE ECONOMY CRUMBLE FOR LACK OF OTHER CREDITOR ASSISTANCE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Concepts: BUDGETS, ECONOMIC CONDITIONS, FOREIGN EXCHANGE RATES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 27-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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